

## The complaint

Mr L complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk (MoneyBoat) lent to him irresponsibly.

## What happened

Mr L took nine loans from MoneyBoat. A few details are in the table below.

Loan	Approved	Amount	Original Term	Paid back
1	17 February 2022	£500	4 instalments	5 May 2022
2	6 May 2022	£600	4 instalments	30 June 2022
3	30 June 2022	£1,000	6 instalments	31 October 2022
4	4 December 2022	£500	6 instalments	20 December 2022
5	28 December 2022	£1,500	6 instalments	1 January 2023
6	2 January 2023	£1,500	6 instalments	28 February 2023
7	28 February 2023	£1,500	6 instalments	28 April 2023
8	28 April 2023	£1,500	6 instalments	1 July 2023
9	1 July 2023	£1,500	6 instalments	21 December 2023

For all nine loans Mr L paid MoneyBoat the principal amounts and total interest of £4,250.52.

All the loans were paid back early so the interest he paid was less than that set out in the loan agreements. Loans 4 and 5 were originally six instalments and Mr L repaid them within a few days. Loan 9 was repaid a few days early.

After Mr L had complained to MoneyBoat, it sent to him its final response letter (FRL) in which it gave reasons and explanations as to why it did not consider his complaint should be upheld.

Mr L referred his complaint to the Financial Ombudsman where one of our investigators looked at it. He considered that MoneyBoat should put things right for Mr L from loan 6 as repetitive lending was likely to have been harmful to Mr L and it ought to have known and ceased lending at loan 6.

Mr L agreed with our investigator's outcome. MoneyBoat did not although it did partially concede in relation to loan 9. The unresolved complaint was passed to me to decide.

## What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - on our website.

MoneyBoat had to assess the lending to check if Mr L could afford to pay back the amounts he'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MoneyBoat's checks could've considered several different things, such as how much was being lent, the size of the repayments, and Mr L's income and expenditure.

I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest MoneyBoat should have done more to establish that any lending was sustainable for Mr L.

These factors include:

- him having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income).
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income).
- him having a large number of loans and/or having these loans over a long period (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).
- him coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Mr L and our investigator thought this applied from loan 6.

MoneyBoat was required to establish whether Mr L could *sustainably* repay the loans – not just whether he technically had enough money to make his repayments. Having enough money to make the repayments could of course be an indicator that Mr L was able to repay his loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Mr L's complaint.

Loans 1 to 5 appear not to be in dispute as both parties have agreed to the outcome on these loans. So, I have reviewed loans 6 to 9 and having done that I've decided to uphold the complaint in part.

MoneyBoat has said that it took details of Mr L's income and his expenditure through the on-line application procedure and obtained a credit report from credit reference agencies (CRAs). It checked Mr L's employment status. I have seen from account notes that for loans 4, 7, 8 and 9 MoneyBoat asked for and obtained copy payslips.

Those income and expenditure details are set out in the FRL MoneyBoat has sent to Mr L, a copy of which I have seen. So, I do not set out all the details here.

MoneyBoat explained that Mr L had told it, as he lived with his parents his repayment costs for household expenses were minimal.

Mr L says that MoneyBoat used his payslips and used the income and expenditure figures from his first application which then were written through to each of his subsequent loan applications. Mr L describes being in a '*vicious cycle*' of having to take out more borrowing to repay the loans and to keep him going with new cash.

I've noted all of this and reviewed the evidence sent to me in relation to loans 6 to 9. Borrowing consecutively for many months and without any breaks highlights the fact that Mr L was likely to be having trouble making ends meet. I have considered the points made by MoneyBoat but they do not persuade me otherwise.

I think that by loan 6 MoneyBoat ought to have realised that he was filling a hole left by the repayments for the earlier loans. And the repetitive nature of the lending was otherwise unsustainable. I say this because he had been indebted to MoneyBoat for almost a year. This was a reasonably long time to be using high cost credit. But at loan 6, Mr L was making a commitment to make repayments for a further six months and for a much larger sum - £1,500. His borrowing then remained at that high level until the end of the following year by which time he'd taken out a further three loans.

I think that Mr L lost out because MoneyBoat provided loan 6:

- this loan had the effect of unfairly prolonging his indebtedness by allowing him to take expensive credit over an extended period.
- The number of loans and the length of time over which Mr L borrowed was likely to have had negative implications on his ability to access mainstream credit and so kept him in the market for these high-cost loans.

So, I'm upholding the complaint about loan 6 onwards and MoneyBoat should put things right.

### **Putting things right**

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it stopped lending to Mr L at loan 6 as I'm satisfied it ought to have.

Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Mr L may have simply left matters there, not attempting to obtain the funds from elsewhere – particularly as a relationship existed between him and this particular MoneyBoat which they may not have had with others. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party MoneyBoat with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a MoneyBoat and how they would (or ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new MoneyBoat would have been able to lend to Mr L in a compliant way at this time.

Having thought about all these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Mr L would more likely than not have taken up any one of these options. So it wouldn't be fair to now reduce MoneyBoat's liability in this case for what I'm satisfied it has done wrong and should put right.

MoneyBoat shouldn't have given Mr L loans 6 to 9.

- A) MoneyBoat should add together the total of the repayments made by Mr L towards interest, fees and charges on these loans,
- B) MoneyBoat should calculate 8% simple interest\* on the individual payments made by Mr L which were considered as part of "A", calculated from the date Mr L originally made the payments, to the date the complaint is settled.

C) MoneyBoat should pay Mr L the total of “A” plus “B”.

D) The overall pattern of Mr L’s borrowing for loan 6 onwards means any information recorded about loans 6 to 9 are adverse, and should be removed entirely from Mr L’s credit file.

I’ve considered whether the relationship between Mr L and MoneyBoat might have been unfair under s.140A of the Consumer Credit Act 1974.

However, I’m satisfied the redress I have directed should be carried out for Mr L results in fair compensation for him in the circumstances of his complaint. I’m satisfied, based on what I’ve seen, that no additional award would be appropriate in this case.

\*HM Revenue & Customs usually requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Mr L a certificate showing how much tax it has deducted, if he asks for one.

### **My final decision**

My final decision is that I uphold Mr L’s complaint in part and I direct that Evergreen Finance London Limited, trading as MoneyBoat.co.uk does as I have outlined above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 18 July 2024.

Rachael Williams  
**Ombudsman**